THE FINANCE COMMISSION
OF
THE CITY OF BOSTON
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Program for the Rehabilitation
of Abandoned Buildings

At a time of acute housing shortage every effort should be made to conserve and rehabilitate housing stock in the city. The current proposal before the City Council to appropriate $1,000,000 to demolish abandoned buildings strikes us as inconsistent with this objective and the recommendations of our Special Report on Abandoned Buildings released last year. Demolition, we think, should be applied only to residential buildings which are 1) structurally unsound, or 2) located within approved renewal areas where replacement housing is imminent, or 3) certified as inappropriate for rehabilitation.

Experience in rehabilitation in Boston demonstrates that three bedroom apartments can be rehabilitated for between $8,000 and $10,000 a unit. If the city invested $1,000,000 in rehabilitation financing instead of demolition, it might be able to produce as many as 500 units of housing as well as other community benefits without great risk.

In order to be effective, such a rehabilitation program would include the following features:

1) All abandoned buildings would be screened by the Building Commissioner and those found fit for rehabilitation would be secured and held for the program.

2) Real property board and the law department would make intensive efforts to clear title problems and to furnish lists of available buildings to all interested rehabilitation contractors and community groups. Owners of abandoned properties would be encouraged to transfer them without penalty, to the city for the program.

3) In complex title cases, the power of eminent domain could be applied to clear title without significant risk of liability and/or a title guarantee program might be instituted by the city pending completion of foreclosure.

4) A million dollar fund would be established by the city, under a bond issue, for construction loan financing. Conceivably, a federal grant could fund the program without any city appropriation whatsoever. Loans up to $10,000 maximum per dwelling unit would be secured by a first mortgage. Prior approval of rehabilitation plan would have to be secured from the Building Commissioner and the loan board, and low rents agreed to by the developer.

5) Construction monies could be administered by a city loan board established for the purpose, or

by a Boston bank on an agency basis.

6) On completion of rehabilitation, private permanent financing would be arranged. M.H.F.A. assistance would be requested and participation by local banks encouraged. If 80% of the completed value could be mortgaged, the city would recapture all but 20% of its loan for reuse in subsequent rehabilitation projects. The city would agree to subordinate the balance of its construction loan to the permanent lender. It is not believed that this would create undue risk to the city.

7) The permanent financing feature would permit the city to recapture and reinvest 80% of its initial investment, thereby creating maximum leverage for the rehabilitation fund. Thus, a million dollar fund might produce as much as $5,000,000 worth of housing at an average cost of $10,000 per dwelling unit. This could mean 500 dwelling units. A more conservative estimate of 450 dwelling units is realistic.

8) Tax revenues on the rehabilitated buildings are estimated to be sufficient to cover the cost of borrowing and, in addition, would provide protection against project failures and title guarantee liability created by the title guarantee feature of the program (if any). As an illustration, if the completed buildings were assessed at only $1,000,000

on completion of the program, that would mean $176,000 of revenue annually at the 1971 tax rate!

9) Other benefits would include local employment -- especially in the case of community rehabilitation groups; neighborhood improvement; reduction in crime and fire hazards.

10) ultimately, the buildings should, where possible, be "spun off" to the tenants on a condominium or owner-occupant basis to encourage good management and community responsibility.

Lawrence T. Perera, Chairman